



U. S. DEPARTMENT OF VETERANS AFFAIRS
Regional Office, Fort Snelling
1 Federal Drive
St. Paul, MN 55111-4050
www.vba.va.gov/rostpaul.htm

May 15, 2005

REGIONAL LOAN CENTER MEMORANDUM NO. 05-04

TO: ALL LENDERS, HOLDERS, AND SERVICERS

SUBJ: LOAN GUARANTY REQUIREMENTS REGARDING PROPERTIES LOCATED IN ILLINOIS, IOWA, KANSAS, MINNESOTA, MISSOURI, NEBRASKA, NORTH DAKOTA, SOUTH DAKOTA, AND WISCONSIN AFFECTED BY NATURAL DISASTERS

PURPOSE

To remind program participants of VA requirements regarding loans secured by properties in disaster areas designated by Federal authorities.

WHAT VA REQUIRES FOR LOAN ORIGATION ISSUES

1. Any loan closed prior to the disaster is eligible for VA guaranty without regard to the disaster.
2. For a loan on a property located within the affected area, appraised on or before the date of the disaster, and not closed prior to that date, to be eligible for VA guaranty:
 - a. Both of the following certifications must be obtained and made a part of the complete loan origination file:

1) Lender Certification - *This is to affirm that the property which is the security for VA loan number _____ has been inspected to ensure that it was either not damaged in the recent disaster or has been restored to its pre-disaster condition or better.*

Lender Signature Title Date

2) Veteran Certification - *I have inspected the property located at _____ and find its condition now to be acceptable to me. I understand that I will not be charged for any disaster-related expenses, and now wish to close the loan.*

Veteran Signature Date

b. The "Remarks" section of VA Form 26-0286, VA Loan Summary Sheet, must be annotated "Lender and Veteran Disaster Certifications On File." Additionally, if local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local report(s) must be maintained. Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspections or repairs.

c. If there is an indication that the property, despite repairs, will be worth less at the time of loan closing than it was at the time of appraisal, then the lender must have the VA fee appraiser update the original value estimate. The payment of the appraiser's fee for that service will be a contractual matter between the buyer and seller. If the property value has decreased, the loan amount must be reduced accordingly.

d. The lender should ascertain prior to closing that the veteran's employment and income have not changed since the loan application. If at the time of loan closing the veteran is no longer employed or family income has been reduced, that should be reported to VA or the automatic underwriter, as appropriate, for evaluation prior to closing the loan.

WHAT VA REQUIRES FOR LOAN SERVICING ISSUES

1. VA encourages holders of guaranteed loans in the disaster area to extend every possible forbearance to borrowers in distress through no fault of their own. VA Regulations regarding "Prepayments" (38 CFR 36.4310), "Advances and Other Charges" (38 CFR 36.4313), "Extensions and Reamortizations" (38 CFR 36.4314), and "Supplemental Loans" (38 CFR 36.4355) may be of assistance in appropriate cases. It is the loan holder's responsibility to inspect damages to properties, counsel borrowers concerning assistance, which may be available to them, and provide this office with a report which outlines the findings and actions for each damaged property. Loan holders should contact this office before consenting to an insurance adjustment where the proceeds will not be sufficient to pay the loan balance or restore the security.

2. Please include a copy of the attached VA Bulletin with any correspondence you send borrowers in the disaster areas. The information it contains should be beneficial to all parties involved.

3. Although the loan holder is ultimately responsible for determining when to initiate foreclosure and for completing termination action, we request that holders establish a 90 day moratorium from the date of the disaster on initiating new foreclosures on properties located in the disaster area. This includes individuals who live outside of the disaster areas but have lost employment due to business disruption of employers located within disaster areas. Since VA is requesting this, the provisions of 38 CFR 36.4319(f) will not be applied by VA during the moratorium to loans secured by properties in the disaster areas. Also, the period of the moratorium will be considered "VA-requested forbearance" for purposes of the no-bid avoidance provisions of 38 CFR 36.4321. There are two exceptions to the 90 day moratorium on new foreclosures:

- a. When a default is clearly insoluble and there is no likelihood of reinstatement, and the holder requests and receives VA prior approval to initiate foreclosure during the period of the moratorium, or
- b. When a foreclosure sale, the product of an insoluble default, which occurred prior to the disaster, was already scheduled. The sale should be delayed only to the extent necessary to determine whether the liquidation appraisal remains accurate, and for such time as it may take the holder to obtain an acceptable hazard insurance loss settlement for purposes of 38 CFR 36.4326.

4. VA Regulations (38 CFR 36.4326) require that lenders and holders ensure that homes financed with the assistance of VA-guaranteed loans be sufficiently insured against hazards. 38 CFR 36.4325(b) authorizes VA to adjust any claim resulting from a loan foreclosure in which the lender or holder failed to properly procure hazard insurance. The burden of proof is upon the lender or holder to establish that no increase in VA's ultimate liability is attributable to the failure of the lender or holder to have the property properly insured.

CONTACT POINTS

The St. Paul Regional Loan Center points of contact pertaining to this subject are as follows:

Loan Origination - 1-800-827-0611, ext. 3716 e-mail RLC335@vba.va.gov

Loan Servicing - 1-800-827-0611

Illinois	ext. 3736	e-mail IL.team.stpaul@vba.va.gov
Minnesota	ext. 3756	e-mail MN.IA.SD.ND.team.stpaul@vba.va.gov
Iowa	ext. 3756	e-mail MN.IA.SD.ND.team.stpaul@vba.va.gov
North Dakota	ext. 3756	e-mail MN.IA.SD.ND.team.stpaul@vba.va.gov
South Dakota	ext. 3756	e-mail MN.IA.SD.ND.team.stpaul@vba.va.gov
Kansas	ext. 3776	e-mail KS.NE.team.stpaul@vba.va.gov
Nebraska	ext. 3776	e-mail KS.NE.team.stpaul@vba.va.gov
Missouri	ext. 3786	e-mail MO.team.stpaul@vba.va.gov
Wisconsin	ext. 3766	e-mail WI.team.stpaul@vba.va.gov

/s/JON H. HELGASON for
D. F. MUNRO
Loan Guaranty Officer

Attachment:
VA Bulletin

VA BULLETIN

1. This bulletin is distributed by the U.S. Department of Veterans Affairs (VA) to provide information during major disasters. The information given below is primarily for owners of homes guaranteed by VA.

2. It is very important that you contact your lender or holder as soon as possible regarding your loss. You are not excused from making your regular monthly loan payments even if your home is uninhabitable.

You should discuss possible extension or reamortization of your loan, or other arrangements if you are unable to make your payments on time.

You should also have your lender or holder explain procedures regarding repairs to your property, payment to contractors, etc.

3. Do not make a hasty insurance settlement. If possible, get at least two estimates from licensed contractors for the cost of repairs or rebuilding. Insurance checks for personal property and living expenses should be made payable only to the homeowner. Checks for real property should be made payable to the homeowner and the mortgagee.

4. Where property is severely damaged but repairable, if possible, get the city engineer's office to make an inspection for structural damage. If a city engineer's inspection is not obtainable, an inspection by a licensed engineer should be obtained.

5. Do not pay your loan in full before checking with SBA (Small Business Administration) on a loan for the uninsured portion of your loss.

6. Be sure to check all sources, especially the Federal Emergency Management Agency (FEMA) at the disaster center for maximum assistance available. FEMA may be reached at **1-800-621-3362**. FEMA's web page is: **<http://www.fema.gov>**.

7. To contact the St. Paul, Minnesota, Regional Loan Center *regarding damage from natural disasters*, call: **1-800-827-0611** extension **3716** for loan origination issues, and the following extensions for loan servicing issues: **Illinois - 3736, Minnesota, Iowa, North and South Dakota - 3756, Kansas and Nebraska - 3776, Missouri - 3786, Wisconsin 3766**. If you are receiving VA checks, notify your local post office and the VA Regional Office of your change of address if you will not be receiving mail at your regular address.

8. For information on **VA benefits other than home loans**, call: **1-800-827-1000**.